



Oregon

John A. Kitzhaber, MD, Governor

Department of Administrative Services

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MEMORANDUM

To: Agency Directors, Budget Managers and Safety/Risk Managers
From: Penny Evans, Risk Manager, Enterprise Goods and Services
Date: February 19, 2015
Subject: 2015-2017 Agency Risk Charges

The Department of Administrative Services (DAS) released the price list for the 2015-2017 budget development. It includes risk charges for state-owned property, tort liability and workers' compensation coverage which fund the state's self-insurance fund.

DAS Risk Management (DAS RM) partnered with the EGS Customer Utility Board (CUB) to finalize the cost of risk to allocate to agencies. DAS RM and the CUB's goal was to minimize risk charges and allow agencies to use their funds to carry out agency missions while ensuring the state's insurance fund remains adequately funded for current and future losses.

The 2015-2017 overall risk charges increased by 14%. With the support and approval of the CUB, DAS RM used proceeds from insurance fund investments to offset the increase by approximately \$10M. With this offset, the overall risk charge for 2015-2017 increased by only 3%.

The 14% increase in the 15/17 risk charges has several contributing factors which DAS RM does not see changing in the future. While we are not seeing an increase in the number of claims, we are seeing an increase in the complexity and financial exposure. This increase can be attributed to the increase in the tort caps and to an increase in DOJ costs. DAS RM's DOJ costs for 13/15 was \$11,599,027. These costs include an increase in attorney hours per litigated cases, an increase in DOJ's hourly rate and an increase in the DOJ costs per litigated claim. We expect these increases to continue into the foreseeable future.

DAS RM recognizes the increasing emerging risks facing the state and commits to minimizing risk charge increases while keeping the self-insurance fund actuarially sound.

DAS RM conducted six agency meetings to explain the risk charge calculations and allocation methodology. DAS RM would be happy to assist agencies in identifying opportunities and methods to reduce exposure, future risk charges and control claims. The Risk Consultation Unit is available to discuss agency specific claims and assist in developing risk mitigation strategy. To take advantage of this opportunity, contact us at risk.management@oregon.gov or (503) 373-7475.

For more information about risk charges please contact Onyema Odoemelam, DAS RM Risk Finance analyst at Onyemaechi.odoemelam@oregon.gov or (503) 373-1855.